

Message Text

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INFO OCT-01 AF-10 ARA-10 EA-10 EUR-12 NEA-10 IO-13
ISO-00 AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00
FRB-03 H-01 INR-10 INT-05 L-03 LAB-04 NSAE-00
PA-01 CTME-00 AID-05 SS-15 STR-07 ITC-01 TRSE-00
SP-02 SOE-02 OMB-01 DOE-11 GSA-02 NSCE-00 SSO-00
USIE-00 INRE-00 /148 R

DRAFTED BY EB/ISM:WCLENAHAN
APPROVED BY EB:JLKATZ
D. TOYRILA
B. BURSEN
EB/ORF:SWBOSWORTN

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FM SECSTATE WASHDC
TO AMEMBASSY BONN IMMEDIATE
AMEMBASSY LONDON IMMEDIATE
AMEMBASSY KINSHASA IMMEDIATE
AMEMBASSY KUALA LUMPUR IMMEDIATE
AMEMBASSY LA PAZ IMMEDIATE
AMEMBASSY LAGOS IMMEDIATE
AMEMBASSY TOKYO IMMEDIATE
USMISSION GENEVA IMMEDIATE
AMEMBASSY PARIS IMMEDIATE
AMEMBASSY BELGRADE IMMEDIATE
AMEMBASSY BERN IMMEDIATE
AMEMBASSY BRASILIA IMMEDIATE
AMEMBASSY BRUSSELS IMMEDIATE
AMEMBASSY BUENOS AIRES IMMEDIATE
AMEMBASSY HELSINKI IMMEDIATE
AMEMBASSY LIMA IMMEDIATE
AMEMBASSY LUSAKA IMMEDIATE
AMEMBASSY MADRID IMMEDIATE
AMEMBASSY MANILA IMMEDIATE
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AMEMBASSY MEXICO IMMEDIATE
AMEMBASSY MOSCOW IMMEDIATE
AMEMBASSY OSLO IMMEDIATE
USLO PEKING IMMEDIATE
AMEMBASSY PORT MORESBY IMMEDIATE
AMEMBASSY SANTIAGO IMMEDIATE
AMEMBASSY STOCKHOLM IMMEDIATE

AMEMBASSY WARSAW IMMEDIATE
AMEMBASSY BRUSSELS IMMEDIATE
AMEMBASSY PARIS IMMEDIATE

C O N F I D E N T I A L STATE 058800

FOR GENEVA UNDER SECRETARY COOPER, USOECD, USEEC

E.O. 11652: GDS

TAGS: EMIN - ITC - GSA

SUBJECT: GSA TIN DISPOSALS AND COPPER ACQUISITION

1. THE ADMINISTRATION HAS AGREED TO SUPPORT A CONGRESSIONAL PROPOSAL FOR THE DISPOSAL OF TIN AND THE ACQUISITION OF COPPER. THE BILL IS EXPECTED TO BE INTRODUCED ON THURSDAY BY CONGRESSMAN UDALL AND SENATOR DECONCINI WITH ADDITIONAL SUPPORTERS IN BOTH HOUSES.

2. THE BILL AUTHORIZES THE DISPOSAL OF 45,000 LONG TONS OF GSA SURPLUS TIN AND PROVIDES THAT THE PROCEEDS BE USED AS FOLLOWS:

---THE PROCEEDS FROM THE SALE OF THE FIRST 5,000 LT IN
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1978 AND THE PROCEEDS FROM THE SALE OF THE FIRST
10,000 LT IN 1979 SHALL BE PAID INTO THE TREASURY;

---THE PROCEEDS FROM THE SALE OF 26,000 LT SHALL BE
USED TO PURCHASE NO MORE THAN 225,000 LT OF COPPER.

---THE PROCEEDS FROM THE SALE OF 4,000 LT SHALL BE
USED TO PURCHASE COMMODITIES NEEDED ON A PRIORITY
BASIS FOR THE STOCKPILE.

---THE BILL DOES NOT SPECIFY A LIMITED TIME PERIOD FOR
THE DISPOSAL, THUS GIVING THE ADMINISTRATION
CONSIDERABLE FLEXIBILITY IN DESIGNING A DISPOSAL
PROGRAM GEARED TO PROJECTED MARKET CONDITIONS.

3. AS APPROPRIATE, POSTS SHOULD ADVISE HOST
GOVERNMENTS OF THE ADMINISTRATION'S
SUPPORT OF THE UDALL-DECONCINI PROPOSAL. HOWEVER,
POSTS SHOULD REQUEST HOST
GOVERNMENTS NOT TO PUBLICALLY DISCUSS THE BILL UNTIL
IT IS FORMALLY SUBMITTED TO CONGRESS, PROBABLY
ON THURSDAY. IN DISCUSSING THE BILL WITH HOST

GOVERNMENT OFFICIALS, POSTS SHOULD EMPHASIZE:

A. GSA ACQUISITION OF COPPER SHOULD HELP TO IMPROVE THE MARKET FOR THAT DEPRESSED COMMODITY.

B. THE U.S. IS PREPARED TO CONSULT WITH TIN PRODUCING COUNTRIES PRIOR TO IMPLEMENTATION OF THE DISPOSAL PROGRAM O ENSURE THAT MAXIMUM CARE IS TAKEN TO AVOID DISRUPPON OF THE TIN MARKET. WE WILL ALSO CONSULT WITH THE INTERNATIONAL TIN COUNCIL AS CALLED FOR IN THE FIFTH ITA. CONCERNED AGENCIES ARE ATTEMPTING TO DEVELOP A MEDIUM TERM SALES PROGRAM FOR CONSIDERATION BY THE ADMINISTRATION WHICH WOULD ASSURE PRODUCERS THAT THE TIN WOULD BE CONFIDENTIAL

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DISPOSED IN AN ORDERLY MANNER.

C. THE UDALL-DECONCINI BILL SHOULD NOT BE CONFUSED WITH THE ADMINISTRATION'S BILL FOR THE TRANSFER OF SURPLUS GSA TIN TO THE ITC BUFFER STOCK. THAT BILL WAS UNANIMOUSLY APPROVED LAST WEEK BY THE SUBCOMMITTEE ON INTERNATIONAL TRADE POLICY AND FINANCE OF THE HOUSE INTERNATIONAL RELATIONS COMMITTEE (HIRC), AND IS SCHEDULED FOR HEARINGS IN SENATOR HART'S SUBCOMMITTEE THIS WEEK AND IN A FULL MEETING OF THE HIRC NEXT WEEK. THE ADMINISTRATION REMAINS-CONFIDENT OF THE BILL'S PASSAGE.

4.IN CONJUNCTION WITH THE SUBMISSION OF THEIR JOINT BILL, CONGRESSMAN UDALL AND SENATOR DECONCINI ARE EXPECTED TO MAKE THE FOLLOWING JOINT ANNOUNCEMENT:

"WE ARE DELIGHTED TO ANNOUNCE THAT PRESIDENT CARTER HAS JOINED IN SUPPORT OF OUR PROPOSAL, WHICH WILL INCREASE THE STRATEGIC VALUE OF OUR STOCKPILE, OFFER LONG TERM COST SAVINGS TO THE TREASURY, AND BENEFIT COPPER PRODUCING STATES BY REDUCING EXCESS INVENTORIES THAT WERE ACCUMULATED DURING THE RECESSION.

THE DETAILS OF THE BILL ARE THE PRODUCT OF VERY CLOSE CONSULTATION WITH THE ADMINISTRATION, PARTICULARLY ON FEATURES COVERING PRIORITIES IN THE CONTENT AND TIMING OF PURCHASES, AND THE PHASING OF DISPOSALS TO PERMIT MAXIMUM COPPER ACQUISITION WITHOUT DISRUPTION OF TIN MARKETS.

THE RESULTING LEGISLATION ADVANCES BOTH OUR NATIONAL SECURITY INTERESTS AND THE INTERESTS OF HARD PRESSED
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COPPER PRODUCING STATES. WITH ADMINISTRATION
ENDORSEMENT OF OUR BILL, WE ARE HOPEFUL THAT EARLY
ACTION CAN NOW BE TAKEN ON THIS IMPORTANT MEASURE."

THE CONGRESSMEN'S STATEMENT "... PHASING OF DISPOSALS...
WITHOUT DISRUPTION OF TIN MARKETS" SHOULD FURTHER
ASSURE PRODUCERS OF THE U.S. INTENT TO DISPOSE OF THE
TIN IN AN ORDERLY MANNER.

5. THE UDALL-DECONCINI BILL IS NOT A SUBSTITUTE FOR
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MILITARY CONSTRUCTION AND STOCKPILES IS SCHEDULED TO MEET
WEDNESDAY AND THURSDAY. IN CONNECTION WITH THAT HEARING,
GSA MAY ANNOUNCE OR THE SUBCOMMITTEE MAY REVEAL THE
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IS BEING SENT BY SEPARATE CABLE.

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7. FOR JAKARTA, SANTIAGO, LIMA, KINSHASA AND LUSAKA:
IN DISCUSSION WITH HOST GOVERNMENTS, POSTS SHOULD EMPHASIZE
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FYI: DURING HIS VISIT TO THE U.S. EARLIER THIS YEAR, HE
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PAGE 01 STATE 058800
ORIGIN EB-08

INFO OCT-01 EA-10 ISO-00 /019 R

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DRAFTED BY EB/ISM:WCLENAHAN:JMA

APPROVED BY EB/ISM:RMOGDEN

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FM SECSTATE WASHDC

TO AMEMBASSY BANGKOK IMMEDIATE

AMEMBASSY JAKARTA IMMEDIATE

C O N F I D E N T I A L STATE 058800

FOL RPT STATE 058800 ACTION BONN LONDON KINSHASA KUALA
LUMPUR LA PAZ LAGOS TOKYO GENEVA PARIS BELGRADE BERN BRASILIA
BRUSSELS BUENOS AIRES HELSINKI LIMA LUSAKA MADRID MANILA
MEXICO MOSCOW OSLO PEKING PORT MORESBY SANTIAGO STOCKHOLM
WARSAW BRUSSELS PARIS 8 MAR 78 QUOTE

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PAGE 01 STATE 058800
ORIGIN EB-08

INFO OCT-01 EUR-12 EA-10 ISO-00 /031 R

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DRAFTED BY:EB/ISM:WCLENAHAN

APPROVED BY:EB/ISM:RMOGDEN

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O 110912Z MAR 78

FM SECSTATE WASHDC

TO AMEMBASSY CANBERRA IMMEDIATE

AMEMBASSY OTTAWA IMMEDIATE

AMEMBASSY ROME IMMEDIATE

AMEMBASSY THE HAGUE IMMEDIATE

AMEMBASSY LUXEMBOURG IMMEDIATE

C O N F I D E N T I A L STATE 058800

FOL STATE 058800 SENT ACTION BONN LONDON KINSHASA KUALA LUMPUR
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ORIGIN EA-12

INFO OCT-01 ISO-00 /013 R

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APPROVED BY:EA/EP:MHENDERSON

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FM SECSTATE WASHDC

TO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY SINGAPORE

C O N F I D E N T I A L STATE 058800

FOL STATE 058800 SENT ACTION BANGKOK JAKARTA MAR 8, 1978
REPEATED TO YOU QUOTE

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MEXICO MOSCOW OSLO PEKING PORT MORESBY SANTIAGO STOCKHOLM
WARSAW BRUSSELS PARIS 8 MAR 78 QUOTE

C O N F I D E N T I A L STATE 058800

FOR GENEVA UNDER SECRETARY COOPER, USOECD, USEEC

E.O. 11652: GDS

TAGS: EMIN - ITC - GSA

SUBJECT: GSA TIN DISPOSALS AND COPPER ACQUISITION

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1. THE ADMINISTRATION HAS AGREED TO SUPPORT A CON-
GRESSIONAL PROPOSAL FOR THE DISPOSAL OF TIN AND THE
ACQUISITION OF COPPER. THE BILL IS EXPECTED TO BE
INTRODUCED ON THURSDAY BY CONGRESSMAN UDALL AND
SENATOR DECONCINI WITH ADDITIONAL SUPPORTERS IN BOTH
HOUSES.

2. THE BILL AUTHORIZES THE DISPOSAL OF 45,000 LONG TONS
OF GSA SURPLUS TIN AND PROVIDES THAT THE PROCEEDS BE USED
AS FOLLOWS:

---THE PROCEEDS FROM THE SALE OF THE FIRST 5,000 LT IN
1978 AND THE PROCEEDS FROM THE SALE OF THE FIRST
10,000 LT IN 1979 SHALL BE PAID INTO THE TREASURY;

---THE PROCEEDS FROM THE SALE OF 26,000 LT SHALL BE
USED TO PURCHASE NO MORE THAN 225,000 LT OF COPPER.

---THE PROCEEDS FROM THE SALE OF 4,000 LT SHALL BE
USED TO PURCHASE COMMODITIES NEEDED ON A PRIORITY
BASIS FOR THE STOCKPILE.

---THE BILL DOES NOT SPECIFY A LIMITED TIME PERIOD FOR
THE DISPOSAL, THUS GIVING THE ADMINISTRATION
CONSIDERABLE FLEXIBILITY IN DESIGNING A DISPOSAL
PROGRAM GEARED TO PROJECTED MARKET CONDITIONS.

3. AS APPROPRIATE, POSTS SHOULD ADVISE HOST
GOVERNMENTS OF THE ADMINISTRATION'S
SUPPORT OF THE UDALL-DECONCINI PROPOSAL. HOWEVER,

POSTS SHOULD REQUEST HOST
GOVERNMENTS NOT TO PUBLICALLY DISCUSS THE BILL UNTIL
IT IS FORMALLY SUBMITTED TO CONGRESS, PROBABLY
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ON THURSDAY. IN DISCUSSING THE BILL WITH HOST
GOVERNMENT OFFICIALS, POSTS SHOULD EMPHASIZE:

A. GSA ACQUISITION OF COPPER SHOULD HELP TO IMPROVE
THE MARKET FOR THAT DEPRESSED COMMODITY.

B. THE U.S. IS PREPARED TO CONSULT WITH TIN PRODUCING
COUNTRIES PRIOR TO IMPLEMENTATION OF THE DISPOSAL
PROGRAM O ENSURE THAT MAXIMUM CARE IS TAKEN TO
AVOID DISRUPPON OF THE TIN MARKET. WE WILL
ALSO CONSULT WITH THE INTERNATIONAL TIN COUNCIL
AS CALLED FOR IN THE FIFTH ITA. CONCERNED AGENCIES
ARE ATTEMPTING TO DEVELOP A MEDIUM TERM SALES
PROGRAM FOR CONSIDERATION BY THE ADMINISTRATION
WHICH WOULD ASSURE PRODUCERS THAT THE TIN WOULD BE
DISPOSED IN AN ORDERLY MANNER.

C. THE UDALL-DECONCINI BILL SHOULD NOT BE CONFUSED WITH
THE ADMINISTRATION'S BILL FOR THE TRANSFER OF SURPLUS
GSA TIN TO THE ITC BUFFER STOCK. THAT BILL WAS
UNANIMOUSLY APPROVED LAST WEEK BY THE SUBCOMMITTEE ON
INTERNATIONAL TRADE POLICY AND FINANCE OF THE HOUSE
INTERNATIONAL RELATIONS COMMITTEE (HIRC), AND IS
SCHEDULED FOR HEARINGS IN SENATOR HART'S SUBCOMMITTEE
THIS WEEK AND IN A FULL MEETING OF THE HIRC NEXT WEEK.
THE ADMINISTRATION REMAINS-CONFIDENT OF THE BILL'S
PASSAGE.

4.IN CONJUNCTION WITH THE SUBMISSION OF THEIR JOINT
BILL, CONGRESSMAN UDALL AND SENATOR DECONCINI ARE
EXPECTED TO MAKE THE FOLLOWING JOINT ANNOUNCEMENT:

"WE ARE DELIGHTED TO ANNOUNCE THAT PRESIDENT CARTER
HAS JOINED IN SUPPORT OF OUR PROPOSAL, WHICH WILL
INCREASE THE STRATEGIC VALUE OF OUR STOCKPILE, OFFER
LONG TERM COST SAVINGS TO THE TREASURY, AND BENEFIT
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COPPER PRODUCING STATES BY REDUCING EXCESS INVENTORIES
THAT WERE ACCUMULATED DURING THE RECESSION.

THE DETAILS OF THE BILL ARE THE PRODUCT OF VERY CLOSE CONSULTATION WITH THE ADMINISTRATION, PARTICULARLY ON FEATURES COVERING PRIORITIES IN THE CONTENT AND TIMING OF PURCHASES, AND THE PHASING OF DISPOSALS TO PERMIT MAXIMUM COPPER ACQUISITION WITHOUT DISRUPTION OF TIN MARKETS.

THE RESULTING LEGISLATION ADVANCES BOTH OUR NATIONAL SECURITY INTERESTS AND THE INTERESTS OF HARD PRESSED COPPER PRODUCING STATES. WITH ADMINISTRATION ENDORSEMENT OF OUR BILL, WE ARE HOPEFUL THAT EARLY ACTION CAN NOW BE TAKEN ON THIS IMPORTANT MEASURE."

THE CONGRESSMEN'S STATEMENT "... PHASING OF DISPOSALS... WITHOUT DISRUPTION OF TIN MARKETS" SHOULD FURTHER ASSURE PRODUCERS OF THE U.S. INTENT TO DISPOSE OF THE TIN IN AN ORDERLY MANNER.

5. THE UDALL-DECONCINI BILL IS NOT A SUBSTITUTE FOR THE GSA ANNUAL MATERIALS PLAN FOR ACQUISITIONS AND DISPOSALS. SENATOR HART'S ARMED SERVICES SUBCOMMITTEE ON MILITARY CONSTRUCTION AND STOCKPILES IS SCHEDULED TO MEET WEDNESDAY AND THURSDAY. IN CONNECTION WITH THAT HEARING, GSA MAY ANNOUNCE OR THE SUBCOMMITTEE MAY REVEAL THE REGULAR ANNUAL MATERIALS PLAN FOR FY 78-79. THAT PLAN IS BEING SENT BY SEPARATE CABLE.

6. FOR LA PAZ: AMBASSADOR BOECKER MAY WISH TO DISCUSS TIN DISPOSAL WHEN HE MEETS WITH PRESIDENT BANZER TO DELIVER PRESIDENT CARTER'S LETTER. AMBASSADOR
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SHOULD MAKE CLEAR THAT DISPOSAL LEVEL PROVIDED IN BILL IS A TOTAL AUTHORIZATION AND DOES NOT INDICATE DISPOSAL RATE. AMBASSADOR SHOULD REITERATE "OUR INTENTION TO CONSULT ON DISPOSAL RATE AND TO PROCEED IN - MANNER WHICH WILL AVOID UNDUE MARKET DISRUPTION.

7. FOR JAKARTA, SANTIAGO, LIMA, KINSHASA AND LUSAKA: IN DISCUSSION WITH HOST GOVERNMENTS, POSTS SHOULD EMPHASIZE THAT WE CONSIDER THE GSA COPPER ACQUISITION PROGRAM A SIGNIFICANT US CONTRIBUTION TO AN IMPROVEMENT IN LONG-TERM PROSPECTS OF THE MARKET. HOWEVER, THE BASIC COPPER INDUSTRY PROBLEM REMAINS, I.E., A CONTINUATION OF HIGH LEVELS OF PRODUCTION IN THE FACE OF STAGNANT DEMAND. THIS PROBLEM CAN ONLY BE RESOLVED ADEQUATELY IF COPPER EXPORTING COUNTRIES TAKE EFFECTIVE ACTION TO CUTBACK EXPORTS TO MORE REALISTIC LEVELS. WERE LDC EXPORTERS TO INCREASE PRODUCTION IN ANTICIPATION OF INCREASED SALES TO THE U.S. RESULTING FROM THE PROPOSED GSA ACQUISITION

PROGRAM, IT WOULD NOT ONLY AFFECT THE STABILIZING EFFORTS
OF THE GSA PURCHASES BUT WOULD INEVITABLY INCREASE
PROTECTIONIST PRESSURES IN U.S. INDUSTRY.

8. FOR JAKARTA: WE SUGGEST YOU TAKE HIS SUBJECT
UP WITH MINISTER SADLI.

FYI: DURING HIS VISIT TO THE U.S. EARLIER THIS YEAR, HE
ARGUED THW USG ACQUISITION OF COPPER FOR THE GSA STOCK-
PILE WOULD FACILITATE CIPEC AGREEMENT ON AN EXPORT
RATIONALIZATION PROGRAM OF THE TYPE NEEDED TO STABILIZE
THE WORLDMARKET. END FYI. VANCE UNQUOTE VANCE
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